App.F.IX-4

1

1923-4

File No. 86-23

Previous References (Reforms.)

Serial Nos. Notes (7)

Preserve

Later references.

GENERAL AND REVENUE SECRETARIAT.

Serial Nos.

855

Part B for October 1923

SUBJECT

Financial Secretary's note on the financial side of the Reforms and orders thereon.

WD 243—GPB—1,000—24-3-23

CONFIDENTIAL.

(1) 2

REPLY

(*To be written on this margin.*)

Office of the Dewan of Mysore.

NOTE.

Dated 24th September 1923.

The enclosed note on the financial side of the Reforms, prepared by the Financial Secretary, has yet to be considered. I shall be glad if the points on which orders of Government are necessary are tabulated and the case worked up as early as possible.

24/9

Chief Secretary to Government, with compliments.

Reply
24/9

V. 3

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

DIARY No. 498

19	—19
Letter.	Ref
File No.	
Serial No.	

Submd with a statement showing the Committee's proposals re the points raised by the Hy Secy & the action taken by Govt.

Bom
26.9.23.

~~The~~ A copy of the same note had been put up in the file relating to the discussion of the Bombay by the Secy of State at the time of the Secy's opinion also was ~~given~~ taken on the proposals of the Reg Committee which were based mainly on ~~the~~ the Secy's recommendations

28/9

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

The Financial Secretary's note contained in this file was prepared after the Dewan's announcement and before the Committee's report was prepared. As the Financial Secretary was a member of the Committee he had an opportunity of placing his views before the Committee.

A summary of the points raised in the note is put up and it will be seen that practically all the suggestions have been disposed of and necessary provision made for them in the Rules of business and procedure in the Legislative Council and in the Representative Assembly. Some of these provisions have also been incorporated in the Regulations relating to these bodies.

The following points have to be brought to the notice of Government for information:--

(i) Presentation of budget.

In the Representative Assembly this will be by means of the Dewan's address. In the Legislative Council, the despatch of copies is equivalent to formal presentation.

(ii) Heads of demands.

In his note the Financial Secretary has suggested 22 heads and the committee have suggested 28 heads [which has to be modified by the omission of Economic Conference and Sandal Oil Factory] In a

Vide pp 197-198 of the Report

a conversation with the Financial Secretary yesterday, he said the heads proposed by the Committee and accepted by the Government were suitable and no change was needed in the matter.

(iii). Power of appropriation & re-appropriation.

The Committee's proposals in this matter are not as comprehensive as those suggested by the Financial Secretary. It is understood that the Financial Secretary is raising this point in a separate connection.

— — —

The following points require orders:-

(i) Representative of the Financial Dept.

The Representative of the Financial Department in British Indian Legislative Councils is the Finance Member of Government. Here the Finance Member being the Dewan who is also the President of the Legislative Council, it will not be possible for him to take up the various duties as ~~in the margin~~ noted below, which fall on the Finance Member:-

~~Mass outline~~ are:--

1. Presentation of budget (which however is done by despatch of copies)
2. General reply to discussions.
3. Making demands for grants.
4. Reply to motions on grants, accepting or declining to accept the amounts proposed by the Council.
5. Presentation of statement of restored grants and emergent expenditure.
6. Making demands for supplementary or excess grants.

Rule 80 (ii)

not the only the Finance Member

He also must be the Member in charge

This is the function of a Secretary — i.e. of the Finance

Same as item 3

Some of these duties have to be delegated to the Financial Secretary or one of the Members of Council as suggested in the linked file.

(ii) The Legislative Council has now no power of voting on demands under certain items as in the margin. The Financial Secretary has suggested that the following also may be similarly excluded from the vote of the Council:--

1. Endowments and charitable allowances to Muzrai institutions.
2. Political charges, such as expenditure on the visits of the Viceroy
3. Political pensions and allowances.
4. Working expenses of commercial concerns like the Sandal oil factory, soap factory and the Bhadravathi Iron works.

All these appear to be subjects which have to be outside the scope of the Legislative Council's vote with the possible exception of the last item.

1. The Palace, including the staff and household of his highness
2. The Military
3. The pensions of ~~public~~ public servants.
4. ~~The~~ Items of expenditure affecting the relations of H.H. with the paramount p power, or with other States and matters governed by treaties, conventions, and agreements now in force or hereafter to be made by H.H. the Maharaja with the paramount power.
5. Interests on loans and guaranteed sinking fund and
6. Expenditure prescribed or authorised by law.

Ch. Secy.

RG 29/9

as regards the further exclusions referred to in the last para of the above note, the Council considered the matter (informally) & decided not to ~~include~~ bring them under non-votable items.

29/9

Secretary

P.S. As to the persons who should perform the functions indicated in items (2) & (3) on the previous page

G. R. S. III-2,

General and Revenue Secretariat. | File No. of 19

Serial No.

it appears to me that the reply to the general debate on the budget may be entrusted to the Fnce Secy. Demands for grants ~~may be made~~ as well as for supplementary grants may be made by the Member in charge, but when the Demand is the Member in charge, he may entrust the reply to a Member, or to the Head of the Dept, or to the Secretary in charge.

Dewas.

1/10.

RR 1/10

I agree with the above suggestions

I may later on remarks.

3.10

3/10

Fn 661/23

Fn Warden with compliments to the Financial Secretary

B.O.

RR 3/10.

No remarks

mull 4-10-23

RR 5.10.23

NOTE—Contn. sheet.

498.

G. R. S. III-2.

General and Revenue Secretariat. | File No. of 19

Serial No.

Chf Secy. RR 5/10.

Please make necessary changes in the rules

5/10

RR 6/10.

The changes proposed to be introduced are as follows:-

(1) General reply to discussions.

This is proposed to be assigned to the Secy to the Govt. has approved this. Rule 80 (ii) contains the provision in the matter. This has therefore to be altered as follows:-

(ii) The Secretary to Govt. in the Finance Deptt shall have a general right of reply at the end of the discussion & the President may, if he thinks fit, make any remarks

15 (ii)

(2) Making demands for grants.

There is no provision in the rules as to the authority who should do this.

This is proposed to be assigned to the Member in charge of the Deptt. & when the Member in charge is the Dewan, to a Member of Council or the Secy to the Deptt or the Secretary in charge

NOTE—Contn. sheet.

Serial No.

Rule 81 provides for voting grants. ~~The~~ A ~~fresh~~ new may be added to the rule as follows:-

81. "(1)(a). The demands of ~~for~~ the Government for grants shall be made by the Member in charge of the Department; provided that where the Governor is the Member in charge of that Department, he may entrust the duty to a Member of Council or to the Head of the Department or to the Secretary in charge."

16(a)

Yes:

The present 81(1) may be changed into (1)(b).

(3) Duty to motion on grants accepting or declining to accept the amounts proposed by the Council.

No provision is made in the existing rules as to this. It is not known if any rule is necessary & ~~so~~ this may not be left to the Secretariat in practice. If a rule is considered necessary it may come in perhaps under Rule 82 as follows:-

Should not think the necessary

82 "(vi). Duty to motion on grants accepting or declining to accept the amounts proposed by the Council shall be made by the Member ~~of~~ in charge of the Department."

NOTE—Contn. sheet.

GPB—25,000—22-3-15

Serial No.

(4) Presentation of statement of retired grants & emergent expenditure.

In rule 85, it is stated that the Govt. shall cause a statement in the matter to be laid on the table. The work is proposed to be assigned to the Financial Secretary. ~~Rule 85~~ is ~~[illegible] intended for carrying the guidance~~. It is not known if this is to be specifically mentioned in the above rule. or is merely to be regarded as an instruction for the guidance of the Deptt. ~~[illegible]~~.

Check it. RR.

(5) Making demands for supplementary or excess grants.

Rule 86 contains provisions regarding ~~fresh grants~~ ~~[illegible]~~. The function is proposed to be assigned instead of to the Representative in the Finance Deptt as laid down in the Rules to the ~~[illegible]~~ same agency as that for making grants. The rule will therefore have to be modified ~~[illegible]~~ by the substitution of the following for the words "by the Representative of the Finance Deptt" contained therein, viz.

"by the Member in charge of the department

GPB—25,000—22-3-15

Serial No.

provided that when the Dewan is the Member in charge, he may entrust the duty to a Member of Council or to the Head of the Department or the Secretary in charge".

Regarding additional or supplemental grants, no further provision seems necessary as it is stated that these grants shall be dealt with in the same way as demands for grants. Rule 57(2).

21 (2)

Submitted for orders.

8/10

Please change the rules as in the marginal remarks & prepare a fair copy

17/10

A copy of the rules as revised is placed up

17/10

Please see me with this tomorrow

17/10.

The Budget portion of the rules of business have been changed in accordance with the discussion in this file. May this be printed now

Chief Secy

18/10

GPB—25,000—22-3-15

G. R. S. III-21

General and Revenue Secretariat.

File No. 19 of 19

Serial No.

81 i (a). I think this can serve conveniently to as para 82 (i) if not be repeated present rule.

NOTE—Contn. sheet.

12

13

FINANCIAL SIDE OF CONSTITUTIONAL REFORMS ANNOUNCED ON THE 7th October 1922.

The Constitutional Developments Committee has not yet considered the terms of reference made to it, bearing upon the budget work of the Representative Assembly and the Legislative Council and it is uncertain in what form, the Committee's Report, in so far as it relates to this subject will be drawn up and what ground will be covered by it. All the points that arise for consideration have, in any case, to be settled by Government and I have therefore thought it well to put up this Note.

The rights conferred upon both the Houses have to be precisely defined and the procedure for regulating the exercise of such rights has also to be laid down. I have accordingly proposed all the provisions which appear to me to be necessary for achieving these objects. Which of these provisions should be included in legal enactments and which, in the rules to be framed in the exercise of powers to be reserved under such enactments, is a matter which may be

decided

decided by the Legislative Department. I give below the provisions and note against them the authorities on which they are based and add explanantions wherever necessary.

Budget.

1. The estimated annual expenditure and revenue of the Government shall be laid in the form of a statement called "the Budget" before the Council in each year on such day as the Government may appoint. The Budget shall be considered as having been presented to the Council by the despatch of copies to its members.

Legislative Council.

Section 25 (1), Government of India Act, 1919 and Rule 43 of the Rules of Business of the Legislative Assembly.

"The Governor-General in Council" represents the Executive Government in the Central Government of India and the Budget presented to the Legislature is of that authority. Here I have used in stead the expression "the Government". The Governor-General appoints the date for presenting the Budget to the Legislative Assembly. Here I have proposed to reserve this power to "the Government". The Representative Assembly has to meet first and the Dewan's Address to it is the speech which introduces the Budget and therefore no formal presentation of the Budget to the Legislative Council by means of another speech is necessary. The despatch of copies to the members may therefore be considered as the presentation to the Legislative Council.

2. No proposal for the appropriation of any revenue or moneys for any purposes shall be made except on the recommendation of the Government.

Section 25 (2), Government of India Act, 1919.

This is a very important constitutional principle designed to prevent improvident expenditure on private initiative and it is required in our constitution also.

DEMANDS FOR GRANTS.

3.(i) The proposals of the Government for the reappropriation of revenue or moneys relating to items of expenditure not specified in (ii) infra shall be submitted to the vote of the Council in the form of demands for grants.

Ibid 25 (5) and ~~Page 3 of~~ the Announcement relating to the Legislative Council.

---

3 (ii). The proposals of the Government for appropriation of revenue or moneys relating to the following items of expenditure shall not be submitted to the vote of the Council:

Items of expenditure affecting

1. the Palace,
2. the Military,
3. the pensions of public servants,

and 4. the relations of the State with the British Government under the Treaty.

Ibid 25 (3).

I have not included anything corresponding to the words "nor shall they be open to discussion by either Chamber at the time when the annual statement is under consideration unless the Governor-General otherwise directs" appearing in the Government of India Act, as the right of the Legislative Assembly to discuss (not to vote upon) even expenditure coming under the excluded heads has since been conceded.

15

16

I have strictly followed the terms of the Announcement in enumerating the excluded items. Reference is in this connection invited to Section 12 (2) of the Mysore Legislative Regulation, 1907, in which matters removed from the cognisance of the Council are specified. The excluded items Nos. 1, 2, and 4 are differently worded in the Regulation and in some cases the scope of these items as given in the Regulation is also wider. I have assumed that the phraseology of the Announcement is deliberate and that for purposes of submitting appropriation proposals to the vote of the Council the scope of the excluded items should be narrower.

Under the Government of Indian Act, 1919, Interest and Sinking Fund charges, and expenditure classified as Ecclesiastical and Political, need not be submitted to the vote of the Legislature. No useful purpose will be served by voting upon grants for Interest and Sinking Fund charges which are not susceptible of reduction and this item may be added to the list of excluded items, unless it is the intention of the Announcement that this item also should be submitted to the vote of the Council.

Also Sep. Grant of authority Gives

Whether it is not desirable to add to the excluded list (1) Endowments and Charitable Allowances given t o

Excit Grants

17

Muzrai Institutions, (2) charges which may be classified as Political, e.g., expenditure on the visits of Viceroys and (3) Political Pensions and Allowances, is another point for consideration.

The working expenses of commercial concerns like the Sandal Oil Factories have also to be submitted to the vote of the Council as these charges are not mentioned in the list of excluded items given in the Announcement. It may some times be undesirable to give undue publicity to the details of these charges.

3 (iii). If any question arises whether any proposed appropriation of revenue or moneys does or does not relate to the items specified in (ii) supra, the decision of the Government on the question shall be final.

Ibid, 25 (4)

4 (i) A separate demand shall ordinarily be made in respect of the grant proposed for each Department of the Government provided that the Government may, in their discretion, include in one

Rules of Business for the Legislative Assembly - Rule No.44 (1)

The Government of India rule gives power to the Finance Member to decide how the demands should be classified for submission to the vote of the Council.

demand grants proposed for two or more departments, or make a demand in respect of expenditure which cannot readily be classified under particular Departments.

4.(ii) Each demand shall contain, first a statement of the total grant proposed and then a statement of the detailed estimate under such grant divided into items.

4.(iii) Subject to these rules, the Budget sahll be presented in such a form as the Government may consider best fitted for its consideration by the Counci.

5. The demands to be submitted to the vote of the Council and the heads of accounts to be comprised under each demand shall, for the present, be as in the appended statement.

For "Finance Member" I have used the expression "the Government".

Ibid 44 (2).

Ibid 44 (3).

In regard to unspecified matters relating to the form of the budget to be presented to the Legislature discretion is reserved under the Government of India rules to the "Finance Member". I have used the expression "the Government" for the "Finance Member".

This rule defines the demand to be submitted to the vote of the Council. The list has, of course, to be changed as occasions may call for under the power given by rules ~~1, 2~~ 4(i) (ii) (iii) and ~~5~~ supra. Under the new Constitution, reappropriation from one grant to another is impossible except with the sanction of the Council.

According to the rules of the Government of India, the Finance Department is given the power to sanction a reappropriation from one major, minor or subordinate head to another within the same grant. If two or major heads are clubbed together under one demand or grant, it will be possible to have some freedom in regard to reappropriations. Some of our major heads involve comparatively small outlay and it is not worth while making each major head a separate individual demand to be placed before the Council. Besides, the larger the number of individual demands to be considered by the Council, the greater the time required for voting upon them. For these reasons I have suggested a statement of demands numbering 22 and have clubbed, wherever possible, under one demand either connected expenditure heads or heads which taken by themselves are unimportant, measured by the amount involved. Important heads likely to be the subject of criticism by the Council are shown as separate demands. The Announcement relating to the Legislative Council refers to voting by major heads. I do not, however, think the intention is to make each major head necessarily a separate vote.

I have proposed to make all the capital heads one demeand. The clubbing suggested in this case or in that of

expenditure charged to revenue does not prevent the Council from voting for omission or reduction of allotments proposed under each major head or for particular works or objects included under them. The aim of grouping is to give to the Executive Government latitude for readjustment of provisions within the same grant as passed by the Legislature for the whole group.

Reserve at the disposal of the Finance Dept.

Demand No.19 in the list requires explanation. As the year goes on, there will be new demands which will have to be placed before the Council and there will be expenditure which shall have to be met out of something other than the demands voted. For this purpose, it is usual to place a reserve at the disposal of the Finance Department. In England there is what is called a Civil Contingencies Fund for this purpose and a similar Fund has been formed in the United Provinces with the permission of the Legislature. Madras has a Reserve placed at the disposal of the Finance Department. It is proposed to follow this arrangement here. In cases of emergency and when the Council is not sitting, the Government will incur expenditure against the Reserve subject to its recoupment by obtaining the sanction of the Council for a supplementary grant.

6. The Council may assent or may refuse to assent, to a demand or may reduce the amount therein referred to either by a reduction of the whole grant or by the omission or reduction of any of the items of expenditure of which the grant is composed.

Government of India Act 11 (2).

7. Notice of a motion to omit or reduce any grant shall be given 7 days before the first day appointed for voting demands.

This rule prescribes the notice to be given for moving motions for omitting or reducing any grant. I have provided for a notice of 7 days and there will be no difficulty in giving it as copies of the budget will have been despatched to the Members of the Council about the 20th ~~June~~ May and the voting of grants will not be taken up earlier than 10th June: vide ~~el~~ calendar put up.

8. The Government shall have power in relation to any demand to act as if it had been assented to, notwithstanding the withholding of such assent or the reduction of the amount therein referred to, if they consider that the restoration of the grant is necessary for the carrying on of any department.

Ibid 11 (2) (a) and the Announcement relating to the Legislative Council.

This rule partly follows the phraseology of the corresponding provision relating to Local Governments in the Government of India Act and partly that of the Announcement.

9. The Government shall have power in cases of emergency to authorise such expenditure as may be, in their opinion, necessary for safety or tranquility of the State or any part thereof or for the carrying on of any department.

10. If the Government decide that any demand which has been omitted or reduced by the Council is essential to the carrying on of any department and act as if such demand has been assented to or if the Government, in case of emergency, authorise such expenditure as in their opinion is necessary for the safety or tranquility of the State or any part thereof, the representative of the Finance Department shall, as soon as may be thereafter lay on the table of the Council a statement showing the action so taken by the Government but no motion shall be made in regard to that action nor shall that statement be discussed.

Ibid 11 (2) (b).

This is an emergency financial power and it is reserved to the "Governor-General" and "Governors" in British India. I have used instead, the expression "the Government."

Standing Order No.73 of the Legislative Assembly.

The duty of laying the statement on the table of the Council is entrusted by the above Standing Order to the "Finance Member". Here I have proposed "the representative of the Finance Department" and if any particular officer can be specified, the necessary change may be made in the rule.

REAPPROPRIATIONS.

11. After grants have been voted by the Legislative Council, the Finance Department shall have power to sanction any reappropriation within a grant from one major, minor or subordinate head to another.

Devolution Rules, Rule 38 (1) (a).

12. The Finance Department shall have power to sanction delegation to other departments of Government the power to sanction any reappropriation within a grant between heads subordinate to a major head subject to such restrictions and conditions as it may consider necessary.

Ibid 38 (1) (b).

Departments of Government other than Finance have in British India only the power of reappropriati~~ng~~on within a grant between heads subordinate to a minor head, subject to certain conditions. I have proposed to give more ~~fa~~ latitude to the other Departments here by permitting reappropriations within a grant between heads subordinate to a major head subject to restrictions and conditions to be laid down by the Finance Department.

13. The Finance Department shall have power to sanction, subject to such restrictions and conditions as it may consider ne~~ssary~~cessary, the delegation by other Departments of Government to any officer or class of officers subordinate to them of

Ibid 38 (2).

Some powers of reappropriation will have to be delegated to Heads of Departments and Offices and power is reserved under this rule for permitting such delegation.

the powers of reappropriation conferred on them under Rule 12.

STAGES OF THE BUDGET DEBATE.

14. The Budget shall be dealt with by the Council in two stages, xx viz.,

(i) a general discussion,
and (ii) the voting of demands for grants.

GENERAL DISCUSSION.

15 (i) One a day to be appointed by the Government subsequent to the despatch of copies of the Budget to the members of the Council and for such time, not more than two days, as the Government may allot for this purpose, the Council shall be at liberty to discuss the Budget as a whole or any question of principle involved therein but at this stage no motion shall be moved nor shall the Budget be submitted to the vote of the Council.

Rules of Budiness for Legislative Assembly. Rule 45.

The Legislative Council has now the right of discussing the Budget in general. This right has to be continued. The voting of grants is the new power conferred upon it.

Ibid 46 (1).-

The Legislative Assembly and the Legislative Councils are allowed 2 days for the general discussion of the budget. Here perhaps one day will do. I have, however, provided for two days as the maximum, so that official members may conveniently reply to criticisms on the second day.

15 (ii). The Representative of the Finance Department shall have a general right of reply at the end of the discussion and the President may, if he thinks fit, make any remarks.

15 (iii). The President may, if he thinks fit, prescribe a time limit for speeches.

16. (i) Not more than 4 days shall be ~~allowed~~ allotted by the Government for the discussion of the demands of the Government for grants.

Vote 8

According to the rules regulating the business of the Legislative Assembly and the Legislative Councils in British India, the "Finance Member" is allowed the general right of reply to the criticisms offered on the Budget. The Dewan is the Finance Member here and as he is the President of the Council, he cannot perform this function. I have used for the "Finance Member" the general ~~discussion~~ Expression "the representative of the Finance Department". I have proposed that the Dewan may, if he thinks fit, offer remarks at this stage as he is the Finance Member.

Ibid 46 (3).

Ibid 47 (1).-

The maximum time allowed for the Legislative Assembly for voting of grants is 15 days and that for Local Legislative Councils, 12 days. As a matter of fact, I find that the Legislative Assembly took only 9 days for voting on the demands for 1921-22 and 5 days on those for 1922-23. The Madras Legislative Council took 6 days

16. (ii) Of the days so allotted not more than one day shall be allowed by the Government to the discussion of any one demand. As soon as the maximum limit of time is reached, the President shall forthwith put every question necessary to dispose of the demand under discussion.

16. (iii) On the last day of the allotted days at 5 P.M. the President shall forthwith put every question necessary to dispose of all the outstanding matters in connection with the demands for grants.

MOTIONS AT THIS STAGE.

17. (i) No motion for appropriation can be made except on the recommendation of the Government communicated to the Council.

for dealing with the Budget for 1922-23. I think a period of 4 days is enough in our case.

Ibid 47 (2).-

The maximum time allowed for the discussion of a single demand is 2 days in the Legislative Assembly and the Legislative Councils in British India. I think one day is enough in our case. It is necessary to quickly go through the work: otherwise a large number of demands will be left over for being hurriedly put to the vote on the last day at 5 P.M.

Ibid 47 (3).

Ibid 48 (1).-

If any resolution of the Representative Assembly relating to the Budget and involving expenditure additional to that proposed in it is accepted by Government

and if it is decided to give effect to it in the next budget, the appropriation necessary for this purpose will have to be brought before the Legislative Council under this rule as a Government motion for appropriation

17 ~~18~~.(ii) Motions may be moved at this stage to omit or reduce any grant or any item in a grant but not to increase a grant or to alter the destination of a grant.

Ibid 48 (2).-

17 ~~18~~.(iii) When several motions relating to the same deamd demand are offered, they shall be discussed in the order in which the heads to which they relate appear in the Budget.

Ibid 48 (3).-

17 ~~18~~.(iv) No motion shall be made for the reduction of a grant as a whole until all motions for the omission or reduction of definite items within that grant have been discussed.

Rules of Business for the Provincial Legislative Council.- Rule 30 (4).-

EXCESS GRANTS.

18.(When money has been spent on any service for which the vote of the Council is necessary during any financial year in excess of the amount of grant for that service and for that year a demand for the excess shall be presented to the Council by the representative of the Finance Department and shall be dealt with in the same way by the Council as if it were a demand for a grant.

Ibid 31.-

SUPPLEMENTARY OR ADDITIONAL GRANTS.

19 (i) An estimate shall be presented to the Council for a supplementary or additional grant when

(i) the amounted voted in the Budget of a grant is found to be insufficient for the purposes of the current year,

or (ii) a need arises during the current year for expenditure for which the vote of the Council is necessary upon some new service not contemplated in the Budget of that year.

Ibid 32.-

19 (2) Supplementary or additional estimates shall be dealt with in the same way by the Council as if they were demands for grants.

Ibid 32.

29

30

The demands may, for the present, be as follows:-

No.	Heads of Account.	Amount based on budget for 1922-23. (In lakhs.)	Remarks.
A.	EXPENDITURE CHARGED TO REVENUE.-		
1.	1. Land Revenue	27½	
2.	2. Forest	14	
3.	3. Excise 3a. Income-Tax 4. Stamps 5. Registration &*7. Supervisions of Mines.	8	*Other charges included under the head form part of other demands.
4.	x 8. Sinking Fund 9. Interest on Debt and other obligations	54	xThese two ~~claims~~ items are not susceptible of reduction and are not even voted upon in British India and they may therefore form only one demand. — There will be 20 demands since the L.C. Coal-Vote. The proposal of the Local Govt. Rs
5.	12. General Administration	11	
6.	13. Muzrai .. .. .. 14. Scientific & Miscellaneous Departments. 15. Pensions and Allowances.- (i) Political Pensions & Allowances. 16. Stationery & Printing. 17. Miscellaneous. 35. Miscellaneous Railway Expenditure. 36. ,, Electrical Expenditure	13	
7.	18. Courts of Law 19. Jails..	11½	
8.	20. Police	16½	
9.	21. Medical 22. Sanitation & Vaccination	12	

No.		Head of Account.	Amount based on budget for 1922-23. (IN LAKHS.)	Remarks.
10.	23.	Irrigation Works charged to Revenue.	25	
	24.	Civil Works		
11.	25.	Economic Conference.		
	27.	Agriculture		
	28.	Industries & Commerce	9½	
	29.	Co-operative Societies.		
12.	26.	Education	40	
13.	30.	Grants for Public Improvements	3	
14.	XXIV.	Railways		
	2.	Working Expenses		
	3.	Surplus Profits	66	
	4.	Guaranteed Interest.		
15.	XXV.	Krishnarajasagara Works		
	2.	Working Expenses		
	XXVI.	Electrical Works - Cauvery Power Scheme	13½	
	2.	~~Depreciation~~ Working Expenses -Depreciation charges Telephone charges		
16.	XXVII.	Sandal Oil Factory		
	2.	Working Expenses		
	3.	Depreciation	18½	
	4.	Interest on Capital		
	5.	Loss on sale of old stock		
17.	XXVIII.	Kolar Gold Fields Water Works		
	2.	Working Expenses	2	
	3.	Depreciation		
18.	XXIX.	Industrial Works - Net loss (if any)	..	
19.		Reserve at the disposal of the Finance Department	..	

No.		Head of Account.	Amount based on budget for 1922-23. (IN LAKHS.)	Remarks.
		B. CAPITAL OUTLAY NOT CHARGED TO REVENUE.-		
20.	37.	Railway and Tramways.		
	38.	Krishnarajasagara Works		
	39.	Electrical Works	.. .. .. 46½	
	40.	Industrial Works		
	41.	Other Works		
		C. DISBURSEMENTS OF LOANS AND ADVANCES.-		
21.		Advances		
22.		Loans		

REPRESENTATIVE ASSEMBLY.

THE BUDGET.

1. The estimated annual expenditure and revenue of the Government shall be presented in the form of a statement called the Budget to the Assembly on such day as the Government may appoint.

Formal presentation of the Budget to the Representative Assembly is possible as the Session is opened by the Dewan with a speech which deals mainly with the budget.

STAGES OF THE BUDGET DEBATE.

2. The Budget shall be dealt with by the Assembly in two stages: viz.,

i. a general discussion,
andii. the moving of resolutions.

The Representative Assembly has now the right of general discussion and the power of moving resolutions on matters relating to the Budget is the new power conferred upon it.

TIME FOR THE CONSIDERATION OF THE BUDGET.-

3. Not more than 4 days shall be allotted by the Government for the consideration of the Budget in both stages.

The period of 4 days is, I think, sufficient, for the consideration of the budget by this House in both stages.

GENERAL DISCUSSION.

4. On a day to be appointed by the Government and 7 days after the despatch of copies of the Budget to the members of

I have proposed a period of 7 days to enable the members of the Assembly to study the Budget before they are summoned to the Session. This rule is based upon

the Assembly and for such time as the Government may allot for the purpose the Assembly shall be at liberty to discuss the Budget as a whole or any question of princple involved therein.

MOVING OF RESOLUTIONS.

5. Any member of the Assembly may move a resolution relating to the Budget provided that no resolution shall be admissible which does not comply with the following conditions:-

(i) It shall be in the form af a specific recommendation addressed to the Government.

(ii) It shall be clearly and precisely expressed and shall raise a definite issue.

(iii) It shall not contain arguments, inferences, ironical expressions or defamatory statements nor shall it refer to the conduct or character of any person except in his official capacity.

(iv) It shall not challenge the accuracy of the figures of the Budget.

(v) It shall be directly relevant to some entry in the Budget.

the corresponding rule relating to the general discussion of the Budget by the Legislative Assembly.

Announcement relating to the Representative Assembly.-

Resolutions should conform to the conditions mentioned in this rule and they are based upon the rules which governed the moving of resolutions on budget matters in the Legislative Councils of British India in the pre-Reform days.

(vi) If it contains a recommendation which would have the effect of increasing expenditure chargeable to revenue, or not chargeable to revenue it shall also contain a specific recommendation for a corresponding reduction in expenditure or increase in revenue or receipt as entered in the Budget.

6. No resolution shall be proposed which affects items of expenditure relating to

i. the Palace ,
ii. the Military,
iii. the pensions of public servants,
and iv. the relations of the State with the British Government under the Treaty.

If any question arises whether any resolution relates to the above items, the decision of the Government on the question shall be final.

7. Notice of a resolution shall be given 5 days before the day appointed for moving resolutions and it shall be accompanied by a copy of the resolution proposed.

Items of expenditure which are not permitted to be voted upon by the Legislative Council cannot form the subject of resolutions in the Representative Assembly and this rule provides for such exclusion.

This is based upon the corresponding rule prescribed in the case of the Legislative Council.

Copies of the Budget will be despatched about the 20th May and a period of 5 days is necessary for consideration of the resolutions by the Government and for deciding upon the view to be voiced as that of the Government when the resolutions are moved in the Assembly.

7. The Government may disallow any resolution which does not comply with the conditions of rule 6 or ~~for~~ which or any part of which, cannot, in their opinion, be moved consistently with the public interests and the ruling of the Government is final.

8. ~~Individual~~ Any resolution, if carried, shall have effect only as a recommendation to the Government.

ROUGH CALENDAR OF BUSINESS OF THE BUDGET SESSION OF THE LEGISLATIVE COUNCIL and the REPRESENTATIVE ASSEMBLY.

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	Despatch of copies of draft budget to members of the Legislative Council and the Representative Assembly.		20th	May
REPRESENTATIVE ASSEMBLY.	Last date for giving notice of budget resolutions		27th	,,
	Opening of the session of the Representative Assembly		1st	June
	General discussion of the budget and resolutions relating to it		2-5th	,,
	Other business		6-9th	,,

LEGISLATIVE COUNCIL.	Last date for giving notice of motions for omission or reduction of grants.		3rd	,,
	Opening of the session Excess grants and supplementary estimates General discussion of the budget.	3 days	10-16th	,,
	Voting of grants	4 days		
	Other business		17-19th	,,
	--			
	Revision of the budget with reference to the votes of the Council. Consideration of the budget finally by Govt. Printing of final edition of the budget and issue before 30th June	11days	20-30th	,,
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37

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WHEN THE BUDGET SESSIONS OF THE TWO HOUSES SHOULD BE HELD.

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The two Houses cannot be in session at the same time, as the Dewan is the President of both and the officials have als also to be present in both the Houses. The Representative Assembly returns some members to the Legislative Council and these also cannot be present in both the Houses at the same time. In these circumstances, it is necessary that the two Bodies should meet one after the other for dealing with their budget work.

According to the existing practice, the budget session of the Representative Assembly precedes the corresponding - session of the Legislative Council. The same arrangement will have to be continued in the future as well. It would be inappropriate to bring before the Representative Assembly for consideration the budget already voted upon by the Legislative Council. Besides, if any resolution of the Representative Assembly recommending an item of expenditure not proposed by the Government is accepted, it will be necessary

to

to include it in the demands to be submitted to the vote of the Legislative Council.

The members of the Representative Assembly should be given sufficient time to study the draft budget and send up resolutions they desire to move relating to it. It will, therefore, be necessary to despatch copies of the budget not later than the 20th May and the earliest date on which the budget session of the Assembly can be summoned is the ~~xxxxxx~~ 1st June. The calculations of revised estimates should be made as accurate as possible as proposals for supplementary grants to be submitted to the vote of the Council will have to be based upon them. It will be necessary for this reason to take up the revised estimate after 8 months' actuals are available and these can only be expected to be ready about the first week of April. If copies of the draft budget should be ready by 20th May, we shall only have about a month and a half for the heavy work involved in the consideration of the estimates of revenue and expenditure of all departments, for deciding upon the total budget programme to be presented by the Executive Government to the two Houses and for ~~xxxxxx~~ printing the estimates of 160 pages. We know from experience that

a month and a half is not sufficient for this work and the procedure and processes relating to the budget work will have to be simplified and quickened at every stage. In any case, it is not possible to delay the despatch of copies of the budget beyond 20th May and arrangements will have to be made to make it ready by that date.

As explained above, the two Houses have to meet for considering the budget one after the other. After the Budget Session of the Legislative Council is closed, there should be sufficient time left to us for effecting the changes necessitated by the votes of the Council omitting or reducing demands and for issuing the sanctioned budget before the beginning of the year. Under the new conditions, it is obligatory to issue the sanctioned budget before the commencement of the year, as in the absence of communication to the Audit Office and ~~the~~ Disbursers of supplies voted by the ~~Legislatin~~ Legislative Council with such modifications as may be made by Government in them by the exercise of the power of restoration reserve to them, there will be no authority to make any disbursements from 1st July.

BUDGET RESOLUTIONS BY THE REPRESENTATIVE ASSEMBLY:

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In voting supplies, the Legislative Council will not have the power to propose any addition to a demand made by Government. The rules regarding resolutions affecting the budget to be moved by the members of the Representative -- Assembly provide for proposals for new expenditure, subject to the condition that appropriate ways and means should be pointed out. The Legislative Councils in British India, in the pre-Reform days, had the power to move resolutions relating to the budget and such resolutions could have included proposals for new items of expenditure, if ways and means for meeting them were also pointed out. The rules proposed by me accordingly permit such resolutions to be moved by the Representative Assembly. It may look as if the Representativ Assembly had some power not conceded to the Legislative Council. The explanation of this difference lies in the fact that the resolutions moved by the Representative Assembly are only recommendatory in their character while the voting of grants by the Legislative Council is an operative power subject only to the right of restoration of grants reserved

to Government.

The Legislative Council has not the right to move resolutions affecting the budget ~~so far~~ and this right has not been conferred upon it in the recent Announcement. To this extent, there is difference between the two Houses in regard to the opportunities given to them for influencing the administration by means of resolutions.

POSITION OF AUDIT AND FINANCE DEPARTMENTS UNDER THE REFORMS.

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The conferment of financial powers on the Legislative Council necessitates important changes in the position of the Audit and Finance Departments in the Constitution. The Auditor-General in British India is a now a statutory authority and he has been made completely independent of the Executive Government in regard to all matters concerning the audit of expenditure. With a view to effective financial control, the Constitution of the Finance Department in British India is now regulated by the law and rules framed

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thereunder and its duties and responsibilities are precisely defined. The Audit and Appropriation Report assumes considerable importance under the Reforms as, when grants are voted by the Legislature, an annual report is due to it as to how its orders have been carried out. The consideration of this report on behalf of the Legislature is entrusted in British India to a Committee of it called "The Public Accounts Committee". These changes have all been introduced in British India both in the Central Government and in the Local Government. There is, however, no allusion to these matters in the Announcement made on the 7th October 1922 and I have accordingly made no proposals in regard to them.

(Sd/ M.N.K.
4.11.22.

43

Tabular Statement of Suggestions made by the Financial Secretary in his note dated 4.11.22

I Legislative Council Committees Report.

Financial Secy's Remarks		Remarks
Budget:		
I (a) The estimated annual expenditure & Rev of the Govt shall be laid in the form of a statement called the Budget before the Council in each year on such day as the Govt may appoint.	(a). This has been provided for by the 1st sentence of Rule 46 of the Legis Cl rules of Business proposed by the Committee.	Committees recommendation has been approved & the provision has been included in Section 13 of the draft Regn. The Fnl Secy refers to Rule 25 (1) of the Indian Act 1915 & Rule 43 of the Leg Asst provisional rules. Sect 67 A of the Govt of Act is those which correspond to Sect 25 of the 1915 Act. The former does not make any such provision as is contained in (b), but only provides in terms of the 1st sentence of Rule 46. This is also embodied in Sec 13 of our new draft Regulation. Rule 43 of the Leg Asst Rules correspond only to the 1st sentence.
(b) The Budget shall be considered as having been presented to the Council by the despatch of copies to its members.	(b) There is no provision corresponding to this, but the same rule provides that copies shall be despatched. The Members of the Leg Council at the same time they are despatched to the Members of the Asst	

The reason for such a provision is given by Mr Abbey, viz. the Budget will have been introduced before the Act formally begins. The Committee perhaps also meant to meet this, by requiring copies to be despatched to members of the Legl at the same time as they are despatched to the Act members.

In these circumstances, it is for consideration whether a definite provision in the terms ~~marked~~ should be added.

17

No proposals for the appropriation of any Revenue or moneys for any purposes shall be made except on the recommendation of the Govt.

This corresponds to Rules 77 cl i of the Rules of L.C proposed by the Committee, which is positive in form

This has been included in Sec. 13 of the L.C. Regn vide Proviso c.

Demands for Grants

i The proposals of the Govt for the appropriation of revenue or moneys relating to items of expenditure not specified in ii infra shall be Subd to the vote of the Council in the form of demands for grants

ii The proposals of the Govt for appropriation of revenue or moneys relating to the following items of expenditure shall not be Subd to the vote of the Council: Items of expenditure affecting

1 The Palace
2 The military
3 The purposes of public debt
4 The relations of the State with the Govt under the Treaty

The Committee's recommendation is contained in Rule 77 ~~cl ii~~ ~~in a positive form~~ which has included ~~in addition~~ two other subjects viz 1 Interest or Loans guaranteed Sinking Fund, and
2 Expenditure prescribed or authorised by law.

This has been included in the Draft Regn as Sectn 13 Cl 2

46

47

For purposes of submitting appropriation proposals to the vote of the Council, the excluded items should be narrowed ~~further~~.

N.B. We the Committee urge the inclusion of the two items ~~which are contained in the Committee's recommendation~~ viz Interest on loans etc & Expenditure authorised by law. ~~We~~ has kept in consideration the ~~following~~ ~~in an authorised manner~~ ~~the following~~ in the list of excluded items ~~the following items from the provisions of the Council~~ viz

1) Endowments & charitable allowances to muzzain Institutions,
2) Political charges,
3) Political pensions & allowances &
4) Working expenses of Quasi Commercial concerns like the Sandal oil factories.

This is recommended ~~by~~ by the Committee & provided in the excluded items.

~~We Committee have not recommended this~~

~~as a claim~~

This has not been considered upon by the Committee. ~~But it is decided to~~ in

Govt have passed orders as regards the items kept into the excluded list for the budget

"ii If any question arises whether any proposed appropriation ~~of revenue~~ or moneys does or does not relate to the items specified in ii supra the decision of the Govt on the question should be final

The committee have recommended this in Rule 77 Cl iii, but they make the Govt as the final authority

The committee's recommendation has been approved but Govt has been made the final authority & included as last clause in Section 13 of the draft by the

- Here under para note

item 4

i)

This corresponds to Committee's recommendation in Rule 78 of cl i, ii, iii The L.C. Rules

This has been approved

ii

Do cl (ii)

iii

Do cl (iii)

item 5

Voting on each major head may take place; ~~but~~ it is unnecessary. ~~But~~ 2 or more major heads may be clubbed under one demand ~~or vice versa~~ ~~major head may be subdivided~~ and the demands may come under 22 heads

This corresponds to the first part of Rule 78 cl iv

The Committee have proposed 28 major heads - the variations are shown in a separate statement. The major heads are the same except for the addition of Khadi and village industries while the clubbed he

Heads no ... item ...

Demand No 15 - Reserve at the disposal of Govt. Necessary to meet new demands in cases of emergency when the Council is not sitting yet with view expenditure against the same subject..

Corresponding this under item 5

This is provided for under head 23.

Item order		
6	This corresponds to Rule 80 cl iv of the Rules recommended by the Committee.	This has been approved & has also been brought out in the draft Regn Sectn 13
7	This corresponds to the main clause of Rule 82 iii without the proviso: ~~But the notice required is seven clear days~~ But the time for notice is 7 clear days & not 7 days.	This has been approved
8.	This corresponds to Rule 83 of the L.C Rules recommended by the Committee.	This has been approved. & has to also been brought out ~~as~~ in S 13 ~~Proviso~~ cl 1 proviso (a)
9	This corresponds to Rule 84	This has been approved & has been included in the Regn as proviso (b) to cl 1 of Sec 13.
10	This corresponds to Rule 85 ~~Both in the rule the word "land" is only bracketed~~ ~~Explicitly seem~~ for the words "the Lt Govt" ~~"Representative of Govt"~~	This has been approved as indicated in column 2

11	This corresponds to Rule 88 of the L.C proposed by the committee.	This has been approved.
12	These do not find a place in the draft rules proposed ~~The committee do not propose~~	The question of introduction of these 2 rules is for orders ~~No action~~
13	These steps by the Committee & approved by Govt.	
14	This corresponds to Rule 79 A note has been adding regarding the communication of the views of the Govt to the Leg Cl.	This has been approved.
15 i, ii, iii	This corresponds to Rule 80 i, ii & iii	This has been approved.
16 i, ii, iii	As regards 80 (ii), instead of "the representative of the Finance Deptt proposed by the Govt", the Committee have "the Member of Govt in charge of the Finance Deptt or any special Member of the Leg Cl authorised by him" Same as 81 (i), (ii) & (iii) of the Committee rules.	Do.

14 i, ii & iii & iv	Rules correspond to Rule 82 cl 1, ii & iv & v. The Committee have added another rule regarding further Rule 82(iii)	These have been approved
18	This has been proposed by the Legislature ~~[illegible]~~ same as Rule 86 ~~[illegible]~~ the Committee have added 2 other Rules &c	— do —
19	Same as Rule 87	— do —

Mr Chairman Sir M.

~~R. A.~~

Budget

1	corresponds to Rule 48 of the R. S. Rules.	
2	do to Rule 50 as amended by Govt	This has been amended as Rule 50 of the Rules ~~This has been approved~~
3	This corresponds to Rule 8(ii)	This has been given to Three vide cl Resolution 16-8-23

(51)

	There is no corresponding ~~provision in Rule~~ The Committee had proposed 12 days interval.		First Lease ~~[illegible]~~ fixed 10 ~~ten~~ days. ~~[illegible]~~
Moving of resolutions			
5	This corresponds to Rule 51, the Committee with the exception of cl (iv) which ~~has been omitted~~ does not find a place in the Committee report.		Has been approved as recommended by the Committee. ~~[illegible]~~ Sub clause vi has been amended so as to restrict resolutions to general principles & purposes. Has been approved.
6	This corresponds to Rule 52		
7	This corresponds to Rules 53, 54 & 53 but the time of notice is cut down by two days		do —
8	This corresponds to Rule 57		do —

52

The remaining part of the Financial Secretary's speech & the position of the ~~2d~~ of A & Leg Co. with reference to the Budget, ~~the~~ ~~power~~ & the appointment of a Public Accounts Committee

The last one has been ~~done~~ ~~two days~~ recently. The other points were considered in connection with the discussion of the Budget by the 2 Houses

The Financial Secretary's suggestions and the final action taken on them are briefly indicated below:-

1. Legislative Council

Financial Secretary's suggestion.	Action taken.
1. Despatch of budget copies to Legislative Council be considered equivalent to its presentation.	X
2. Proposals for appropriation admissible only on recommendations of the Government.	Incorporated in ~~Sec 13 proviso~~ Sec 13, proviso of draft L.C. Rules.
3. (i) Proposals for appropriation to be submitted for vote in the form of demands for grants.	Incorporated in Rule 77 Cl(i)
(ii) unvotable items.	-Do- also in Rules 77 Cl.(ii)
(iii) Decision of Government on (ii) above final.	-Do- 77 Cl.(iii)
4. (i) Each ~~subject~~ department to normally form the subject of a separate grant but Government to have power of clubbing department.	-Do- 78 Cl. (i)
(ii) Each demand to contain the total grant with detailed estimates under it.	-Do- 78 Cl.(ii)
(iii) Form of presentation of budget to be decided by Government.	-Do- 78 Cl.(iii)
5. List of Heads of Demands.	-Do- 78 Cl. (iv)
6. Power of Legislative Council to grant, withhold or partly grant a demand.	-Do- 80 " (iv)
7. Notice in connection with withholding or reduction.	-Do- 82 " (iv)
8. Power of Government to restore grants.	-Do- 83
9. Power of Government to authorise expenditure in emergent cases for the safety and tranquillity of the State.	-Do- 84
10. Statement of action taken under 8 & 9 to be placed on the Legislative Council table and no motion permissible in respect of such action.	-Do- 85
11. Financial department to have power of reappropriation within a grant.	-Do- 88
12. Financial department to have power to delegate to Heads of Departments the power of reappropriation.	~~-Do-~~
13. Financial Department to have power to empower Heads of Departments to give subordinate officers the power of reappropriation.	

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14. Stages of Budget discussion.	Incorporated in Rule 79.		
15.(i) General discussion of the Budget.	"	"	80 Cl(i)
(ii) Financial Department to have power of reply to discussions.	"	"	" "(ii)
(iii) Limitation of speeches.	"	"	" "(iii
16.(i) Period for voting on grants.	"	"	81 "(i)
(ii) Not more than one day to be devoted for one demand.	"	"	" " (ii)
(iii) Closure for discussion and voting on all undisposed items.	"	"	" "(iii)
17.(i) No motion for appropriation of moneys except on the recommendations of Government.	"	"	82 " (i)
(ii) Motions may relate to omission or reduction but not to increases or alterations of ~~xi~~destination.	"	"	" "(ii)
(iii) Discussion of motions to be according to heads.	"	"	" "(iii)
(iv) Order~~s~~ of taking up motion.	"	"	" "(v)
18. Demands for excess grants ~~for~~ ~~ex~~ expenses incurred on any service to be dealt with as demands for grants.	"	"	86 ---

II Representative Assembly.

1. Presentation and form of the Budget.	"	38
2. Stages of the Budget Debate.	"	39
3. Limit of Time for consideration of the Budget ~~to be limited on~~.	"	9 II.
4. General discussion and its scope.	"	First part of rule 38 and last para of Rule 39.
5. Conditions for moving resolutions on the Budget.	"	40
i. Resolutions to be in the form of specific recommendations.	"	Cl. i
ii. Should be clear, precise and raise a definite ~~xxxx~~ issue.	"	Cl ii.
iii. Should not contain arguments, inferences etc.	"	Cl.iii.
iv. ~~Xxxx~~ Should ~~xxxxx~~ not challenge the accuracy of figures.	----	
v. Should directly relate to some entry.	---	
vi. Proposals involving increase of expenditure chargeable to		No

55 56

Revenue should contain also recommendations for a corresponding reduction in expenditure.	no - ~~Incorporated in Rule 41.~~
6. Subjects on which resolutions are excluded, ~~decision of~~ decision of Government on the above points to be final.	Incorporated in Rule 41. -Do- in the second part of the above rule.
7. Notice of resolutions and disallowance of resolutions.	-Do- 43 & 42
8. Resolutions if carried to be only recommendatory.	-Do- 46

Budget Sessions of the two Houses.

The two bodies should meet one after the other for dealing with their Budget work.	This is so. vide Rule 47 of the R.A. Rules of business.
The Representative Assembly Session should precede the Session of the Legislative Council for the same purpose.	

Budget resolutions by the Representative Assembly.

Resolutions of the Representative Assembly to have only recommendatory force.	Vide Rule 46 of R.A. Rules.
There should be a Public Accounts Committee of the Legislative Council to scrutinize expenditure.	This is provided for.